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CLASS III - FOMC

November 1, 1991

SUPPLEMENT  
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

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SUPPLEMENTAL NOTES

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THE DOMESTIC NONFINANCIAL ECONOMY

Employment and Unemployment

Labor demand remained weak in October. Private nonfarm payroll employment was about unchanged, following small increases in the preceding two months.<sup>1</sup> The average workweek and the aggregate number of hours worked both retraced all of their September increases. The civilian unemployment rate edged up to 6.8 percent.

In the October payroll survey, job gains were limited to the services industry, where employment was up 100,000; increases occurred not only in health services but also in business and other services. These gains were offset by losses elsewhere. Manufacturing lost another 30,000 jobs in October; durable goods industries fully accounted for that decline. The declines in September and October largely have erased the expansion in factory employment over the summer. Moreover, construction and retail trade registered sharper job cutbacks in October than in recent months. In total, private payroll employment stood about 300,000 above its trough in April, with services establishments more than accounting for the increase. In the government sector, state and local employment held steady in October, after declines in the preceding three months totaling 57,000.

Average weekly hours of production or nonsupervisory workers dropped 0.2 hour in October to 34.3 hours, offsetting the September increase. The factory workweek edged down 0.1 hour last month, and the workweek dropped sharply in retail trade and services, sectors where reported weekly hours have been especially volatile over the

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1. Private nonfarm payroll employment was revised up 59,000 in September, with the largest upward revisions occurring in services (30,000) and in government (25,000).

past year. Owing to the shorter workweek, the index of aggregate weekly hours for production or nonsupervisory workers also offset its September gain, falling 0.7 percent in October; the level of hours in October stood about at its third-quarter average.

In the household survey, employment and the labor force moved down in October, retracing a small part of the gains registered in the preceding month. Overall, the household survey has pointed to very little improvement in the labor market since the spring, with unemployment rates for most demographic groups about unchanged over this period. In addition, recent reports have shown an uptrend in the number of involuntary part-time workers and little change in the share of the unemployed who are job losers (as opposed to job leavers, new entrants, or reentrants).

#### Average Hourly Earnings

Average hourly earnings of production or nonsupervisory workers edged down 0.1 percent in October, after only a small increase in September. Wage restraint was widespread across industries, and notable declines were posted in services and in the volatile finance, insurance, and real estate industry. During the 12 months ended in October, average hourly earnings for the private sector as a whole increased 3.1 percent.

#### Purchasing Managers' Survey

Information from the October survey of purchasing managers suggested that activity in the industrial sector generally expanded last month, but at a pace slower than in August and September. The Purchasing Managers' Index slipped from 55.0 in September to 53.5 last month. Respondents indicated that, on balance, new orders and production continued to recover. Firms reporting higher levels of orders outnumbered those reporting lower levels by 18 percentage

points in October; although this net difference was slightly below the August and September readings overall, respondents noted a net improvement in growth of export orders.<sup>2</sup> Regarding production, the proportion of companies reporting higher output exceeded those reporting lower output by 20.3 percentage points, about the same as the average reading for the third quarter.

By contrast, employment in the industrial sector appears to have dropped further last month. Holdings of materials inventories also continued to fall; imports of production materials and supplies declined as well. The vast majority of purchasing managers again reported no change in the delivery performance of their suppliers.

For the first time since December, prices for production materials and supplies turned up last month. The proportion of industrial companies reporting higher prices for materials exceeded those reporting lower prices by a net difference of 6 percentage points.

#### Indicators of Business Capital Spending

For nonresidential structures, the value of new construction put-in-place is estimated to have fallen 1.6 percent in September after a decline of 1.2 percent in August; the August drop was originally reported to have been 2.4 percent. For the third quarter, nominal outlays are estimated to have declined 6.2 percent, with sizable drops in most major categories.

Revised data on manufacturers' orders and shipments lowered only slightly the figures released in the advance report. Updated figures are shown in the attached table:

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2. The series on export orders is not seasonally adjusted.

Manufacturers' Inventories

In current-cost terms, manufacturers' inventories rose in September at an annual rate of \$19.6 billion. More than half of the accumulation (\$11.7 billion) occurred at aircraft producers and appears to represent a buildup of parts and components in the defense industry; monthly changes in these stocks can be quite volatile. Food processors also reported an unusually large increase in stocks (\$6.3 billion). Elsewhere, inventory changes were relatively small.

Motor Vehicle Production

Chrysler has reduced its production plans for motor vehicles for the remainder of this year. As a result, total domestic assemblies of autos and trucks are now scheduled at a 10.0 million unit annual rate (FRB seasonal factors) in the fourth quarter--down from the 10.2 million unit rate reported last week. Production of both autos and trucks is now scheduled to change little in the next two months.

DOMESTIC PRODUCTION OF MOTOR VEHICLES  
(Millions of units at an annual rate; FRB seasonal basis)

	1991				1991			
	Q1	Q2	Q3	Q4 <sup>1</sup>	Sep.	Oct. <sup>P</sup>	Nov. <sup>1</sup>	Dec. <sup>1</sup>
Total	7.7	8.6	9.4	10.0	9.9	10.1	9.9	10.2
Autos	5.1	5.2	5.8	5.9	6.0	5.9	5.9	6.1
Trucks	2.6	3.4	3.6	4.1	3.9	4.2	4.0	4.1

1. Figures for November and December are based on manufacturers' schedules as of November 1, 1991.

p Preliminary.

GNP and GDP in 1987 Dollars

BEA data on recent changes in GNP and GDP in 1987 dollars are summarized below. The GDP series updates the staff estimates of the figures for 1991:Q2 and 1991:Q3 provided in the text table on page I-6 of the Greenbook.

GNP IN 1987 DOLLARS  
(Percent change; annual rate)

	<u>1990</u>	<u>1991</u>		
	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
GNP	-3.1	-2.8	.4	2.2
GDP	-3.7	-3.0	1.2	2.3

CHANGES IN EMPLOYMENT<sup>1</sup>  
(Thousands of employees; based on seasonally adjusted data)

	1989	1990	1991			1991		
			Q1	Q2	Q3	Aug.	Sep.	Oct.
-----Average monthly changes-----								
Nonfarm payroll employment <sup>2</sup>	176	36	-240	-6	45	112	48	-1
Private	143	3	-258	-22	61	118	55	-7
Manufacturing	-13	-48	-102	-22	11	40	-31	-32
Durable	-16	-39	-81	-17	-1	7	-22	-35
Nondurable	3	-9	-21	-5	12	33	-9	3
Construction	2	-23	-64	-3	-4	-4	6	-29
Trade	31	-10	-87	-23	-9	-18	-7	-53
Finance, insurance, real estate Services	3	1	1	-11	-4	-1	4	4
Total government	105	72	9	45	69	98	87	101
Total government	32	33	18	16	-16	-6	-7	6
Private nonfarm production workers	119	-9	-223	-8	55	69	48	-12
Manufacturing production workers	-14	-41	-83	-5	15	40	-32	-5
Total employment <sup>3</sup>	148	-32	-273	43	94	-296	749	-198
Nonagricultural	148	-38	-222	-27	94	-324	709	-87

1. Average change from final month of preceding period to final month of period indicated.

2. Survey of establishments.

3. Survey of households.

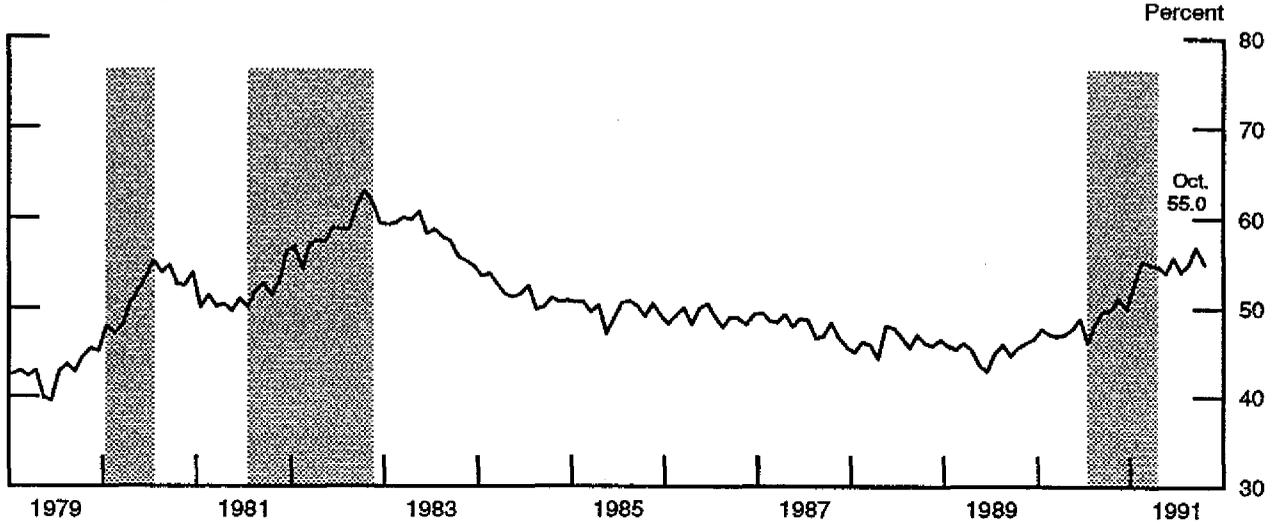
SELECTED UNEMPLOYMENT RATES  
(Percent; based on seasonally adjusted data)

	1989	1990	1991			1991		
			Q1	Q2	Q3	Aug.	Sep.	Oct.
Civilian, 16 years and older	5.3	5.5	6.5	6.8	6.8	6.8	6.7	6.8
Teenagers	15.0	15.5	18.0	18.8	19.2	19.0	18.0	18.8
20-24 years old	8.6	8.8	10.1	10.8	10.9	10.7	10.8	11.3
Men, 25 years and older	3.9	4.4	5.5	5.8	5.8	5.8	5.8	5.7
Women, 25 years and older	4.2	4.3	5.0	5.2	5.0	5.1	5.0	5.1
White	4.5	4.8	5.8	6.0	6.1	6.1	6.0	6.0
Black	11.5	11.3	12.1	12.9	12.1	12.3	12.1	12.7
Fulltime workers	4.9	5.2	6.3	6.5	6.5	6.5	6.4	6.6
Memo:								
Total national <sup>1</sup>	5.2	5.4	6.4	6.7	6.7	6.7	6.6	6.7

1. Includes resident armed forces as employed.

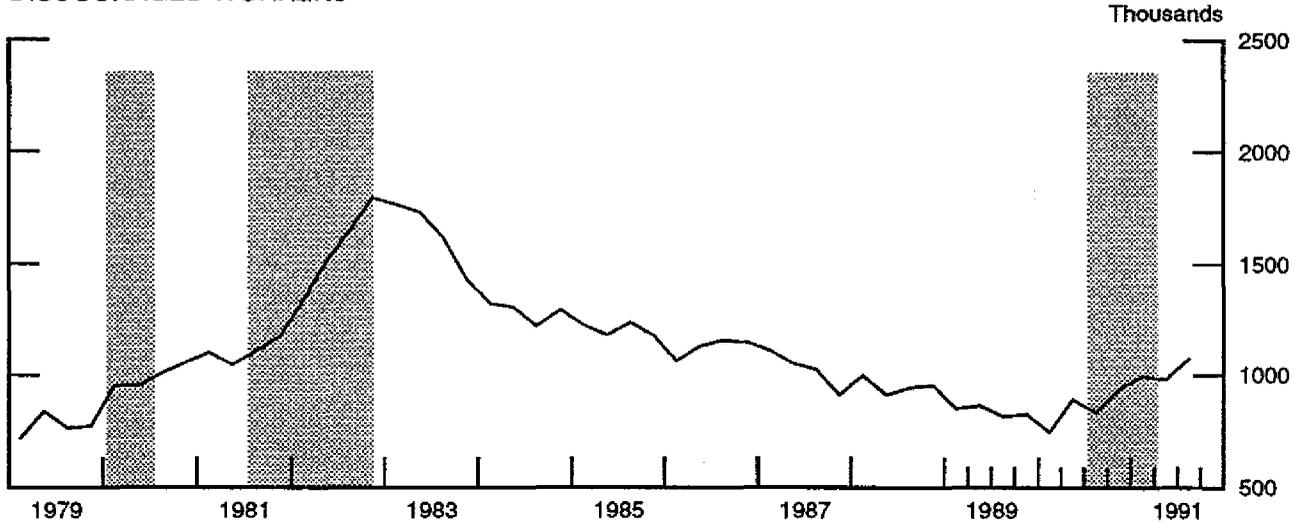
# SELECTED LABOR MARKET INDICATORS

## JOB LOSERS \*



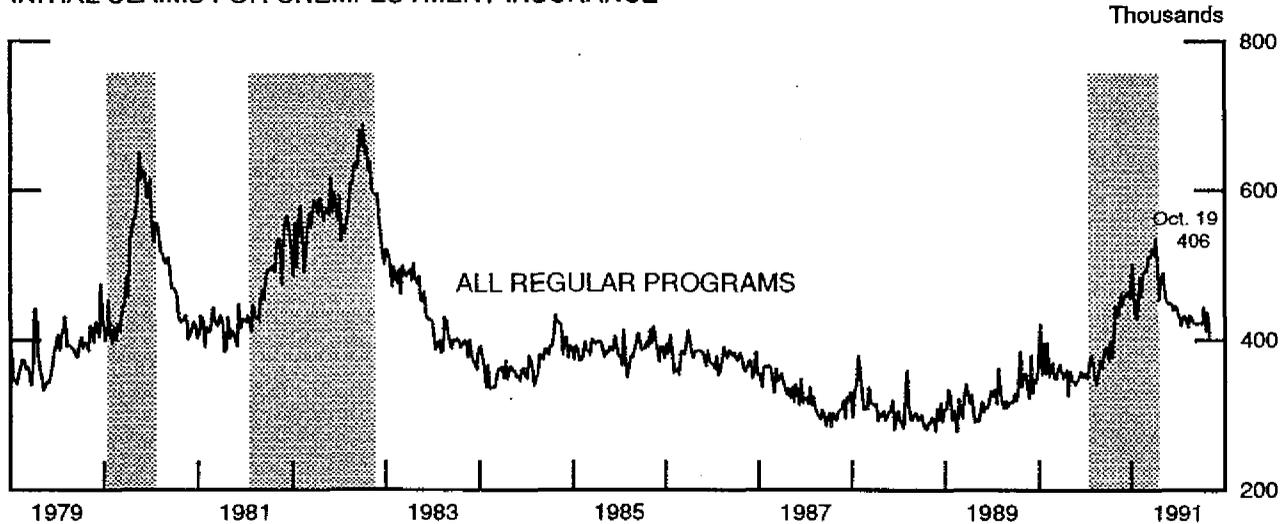
\* Job losers as a percent of unemployed.

## DISCOURAGED WORKERS \*



\* Quarterly data

## INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE \*



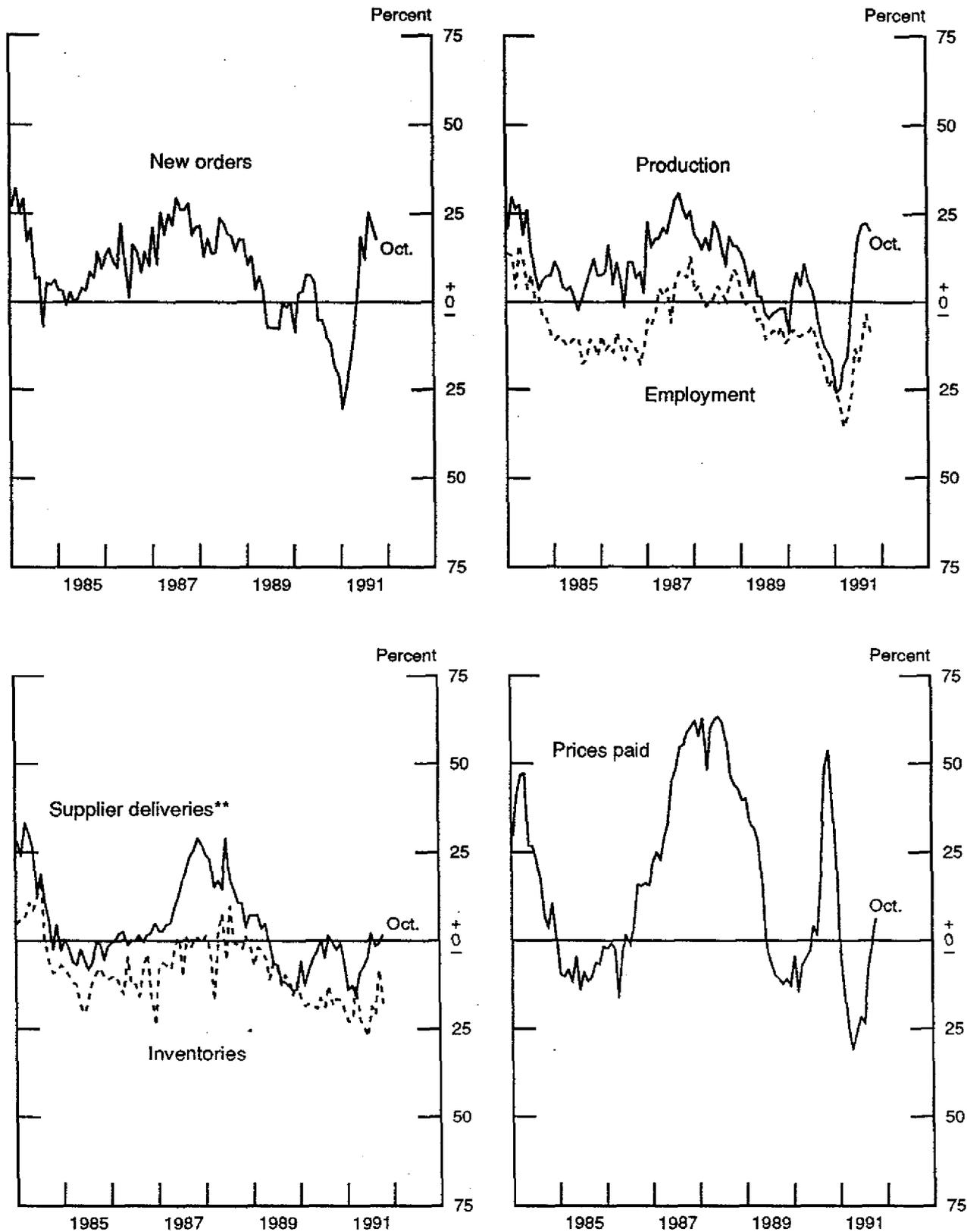
\* Weekly data; seasonally adjusted, FRB basis.

AVERAGE HOURLY EARNINGS  
(Percentage change; based on seasonally adjusted data)<sup>1</sup>

	1989	1990	1991			1991		
			Q1	Q2	Q3	Aug.	Sep.	Oct.
			-Annual rate-			-Monthly rate-		
Total private nonfarm	4.0	3.7	2.8	5.2	1.9	.4	.2	-.1
Manufacturing	2.7	3.6	2.2	5.2	2.5	.3	.1	.2
Durable	2.5	3.6	2.1	5.6	3.1	.1	.1	.2
Nondurable	3.3	3.8	1.2	3.9	2.3	.4	.2	.3
Contract construction	4.3	.3	2.9	.3	1.4	.4	-.3	.0
Transportation and public utilities	2.7	3.0	1.5	2.1	.9	.3	-.3	.1
Finance, insurance and real estate	4.6	5.3	4.0	7.2	1.5	.7	.7	-.6
Total trade	3.9	3.4	3.0	6.1	1.0	.4	.0	.1
Services	5.7	4.6	4.0	6.5	1.6	.5	.3	-.4

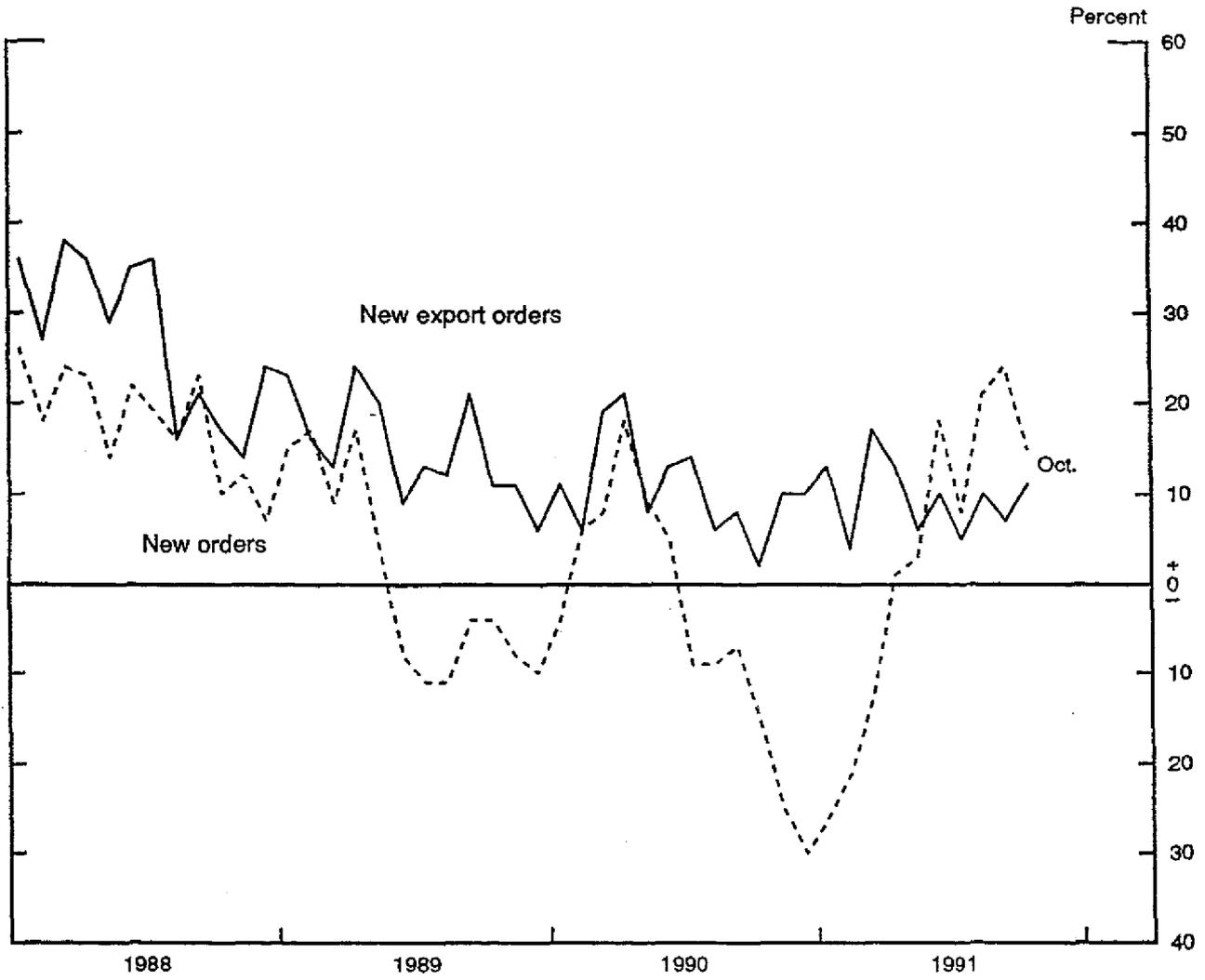
1. Annual changes are measured from final quarter of preceding year to final quarter of year indicated.

### Purchasing Managers\* (Seasonally adjusted)



\* Percent reporting increases are netted with those reporting decreases.  
\*\* Positive entries represent slower deliveries.

### Purchasing Managers\* (Not seasonally adjusted)



\* Percent reporting increases are netted with those reporting decreases.

BUSINESS CAPITAL SPENDING INDICATORS  
(Percentage change from preceding comparable periods;  
based on seasonally adjusted data)

	1991			1991		
	Q1	Q2	Q3	July	Aug.	Sep.
<u>Producers' durable equipment</u>						
Shipments of nondefense capital goods	-2.2	1.4	-.2	-3.4	1.7	.9
Aircraft and parts	2.9	5.4	1.1	-7.0	5.5	-1.0
Excluding aircraft and parts	-3.3	.5	-.5	-2.5	.7	1.3
Office and computing	-3.9	-.8	-1.7	.3	-1.3	-4.0
All other categories	-3.1	.9	-.1	-3.3	1.4	2.9
Weighted PDE shipments (excl. aircraft) <sup>1</sup>	-4.8	.5	-1.0	-2.1	-.2	2.3
Shipments of CIR complete aircraft <sup>2</sup>	71.7	.0	n.a.	-14.4	18.9	n.a.
Sales of heavy-weight trucks	-9.1	-7.4	3.9	5.2	-5.6	3.4
Orders of nondefense capital goods	-6.6	-13.6	14.4	25.3	-15.5	-.7
Excluding aircraft and parts	-4.0	-1.8	3.8	4.8	-2.0	7.9
Office and computing	3.6	-1.6	-3.4	-2.5	.2	-6.4
All other categories	-6.1	-1.9	6.0	7.2	-2.7	12.2
<u>Nonresidential structures</u>						
Construction put-in-place	-4.4	-2.7	-6.2	-.6	-1.2	-1.6
Office	-6.6	-5.4	-9.7	-1.9	-2.7	-1.5
Other commercial	-10.6	-3.5	-9.8	-.8	-.5	-5.6
Public utilities	-.7	1.4	-.2	-1.1	.9	-.6
Industrial	.6	-4.2	-6.9	.4	-2.6	-2.0
All other	-4.0	-3.1	-6.6	.7	-2.0	1.0
Rotary drilling rigs in use	.9	-8.4	-11.3	-4.6	-9.3	-7.2
Footage drilled <sup>3</sup>	-8.3	-9.5	n.a.	-2.8	-1.9	n.a.

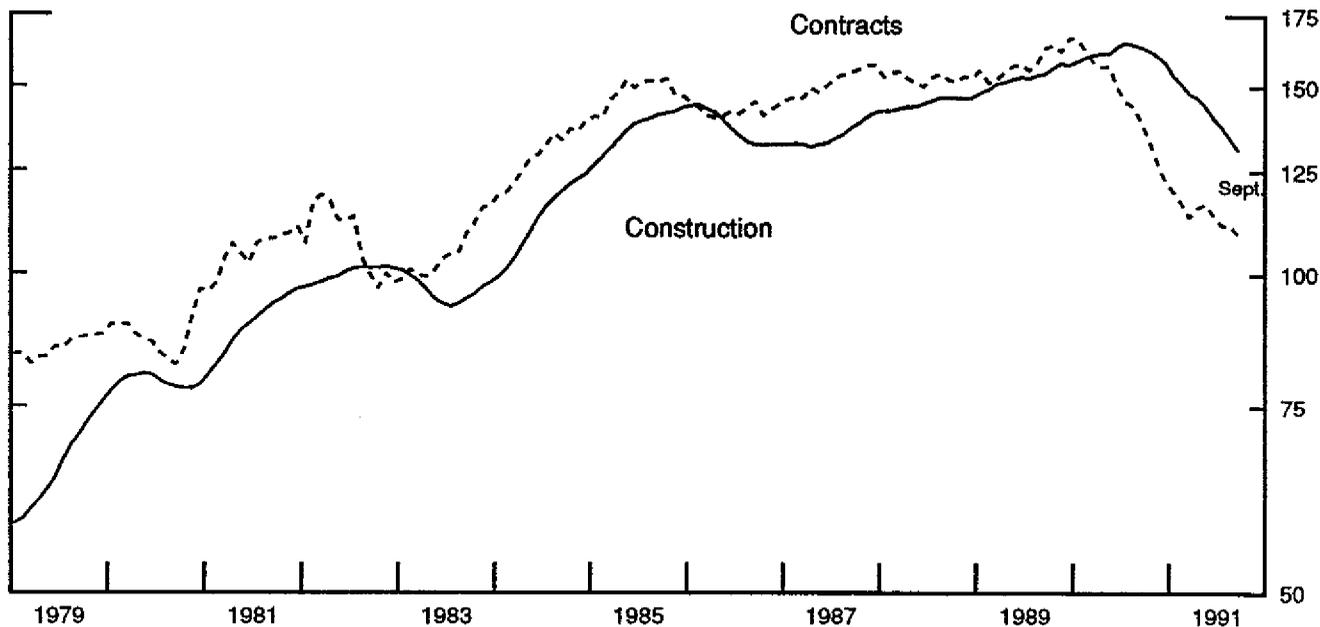
1. Computed as the weighted sum of 25 individual equipment series from the Census M-3 report, with weight for each type of equipment equal to the ratio of final business spending to shipments.

2. From the Current Industrial Report (CIR) titled Civil Aircraft and Aircraft Engines. Seasonally adjusted with BEA seasonal factors. To estimate PDE spending for aircraft, BEA uses the aircraft shipments shown in that report, not the corresponding Census M-3 series. The CIR does not provide information on aircraft orders.

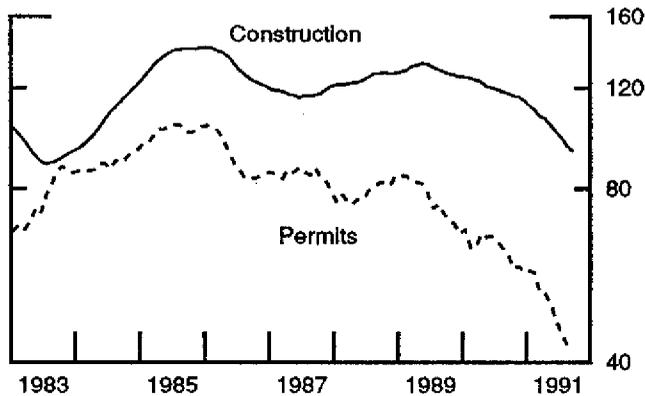
3. From Department of Energy. Not seasonally adjusted.  
n.a. Not available.

Nonresidential Construction and Selected Indicators<sup>1</sup>  
 (Dec. 1982 = 100, ratio scale)

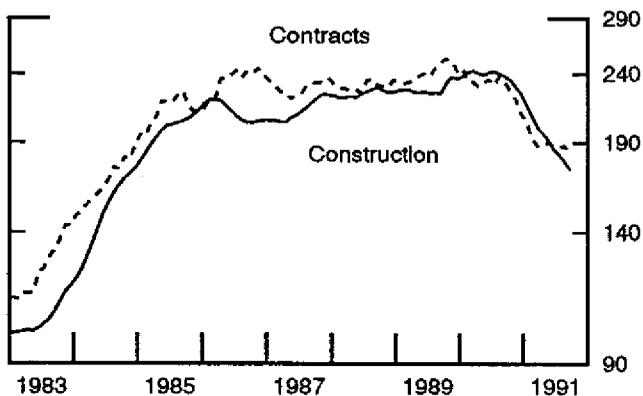
Total building



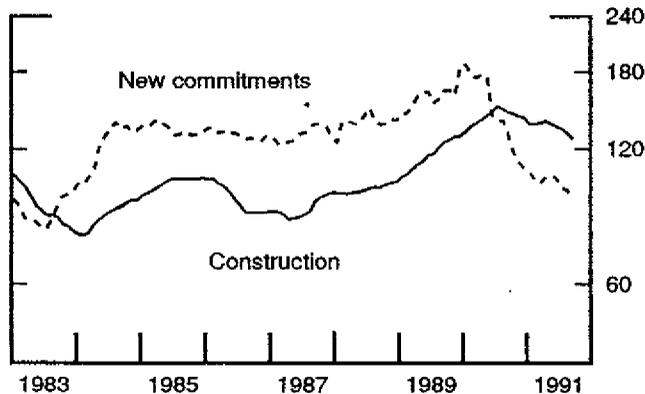
Office



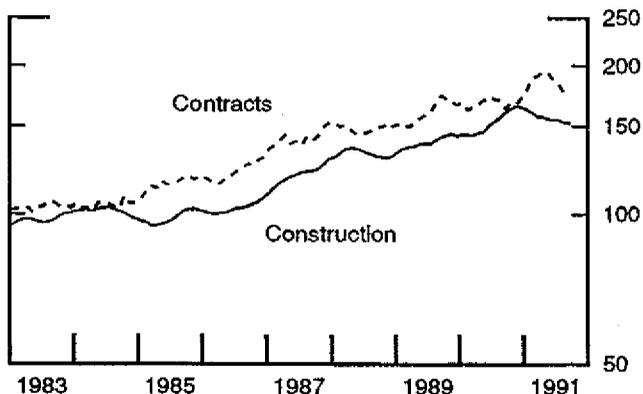
Other commercial



Industrial



Institutional



1. Six-month moving average for all series shown. For contracts, total only includes private, while individual sectors include private and public. New commitments are the sum of permits and contracts.

CHANGES IN MANUFACTURING AND TRADE INVENTORIES  
(Billions of dollars at annual rates;  
based on seasonally adjusted data)

	1991			1991		
	Q1	Q2	Q3	July	Aug.	Sep.
Current-cost basis:						
Total	-29.3	-50.0	n.a.	-3.6	-.4	n.a.
Total excluding retail auto	-14.4	-42.2	n.a.	-7.2	-3.3	n.a.
Manufacturing	-11.3	-24.1	-3.8	-23.6	-7.4	19.6
Wholesale	4.7	-18.8	n.a.	9.2	6.3	n.a.
Retail	-22.7	-7.2	n.a.	10.8	.7	n.a.
Automotive	-14.9	-7.9	n.a.	3.6	2.8	n.a.
Excluding auto	-7.8	.7	n.a.	7.2	-2.1	n.a.
Constant-dollar basis:						
Total	-20.0	-27.8	n.a.	-1.0	-12.3	n.a.
Total excluding retail auto	-2.3	-28.6	n.a.	-2.1	-12.8	n.a.
Manufacturing	-1.3	-12.7	n.a.	-17.7	-12.6	n.a.
Wholesale	6.0	-14.0	n.a.	10.6	2.6	n.a.
Retail	-24.7	-1.0	n.a.	6.0	-2.3	n.a.
Automotive	-17.6	.8	n.a.	1.1	.5	n.a.
Excluding auto	-7.1	-1.8	n.a.	4.9	-2.7	n.a.

INVENTORIES RELATIVE TO SALES<sup>1</sup>  
(Months supply; based on seasonally adjusted data)

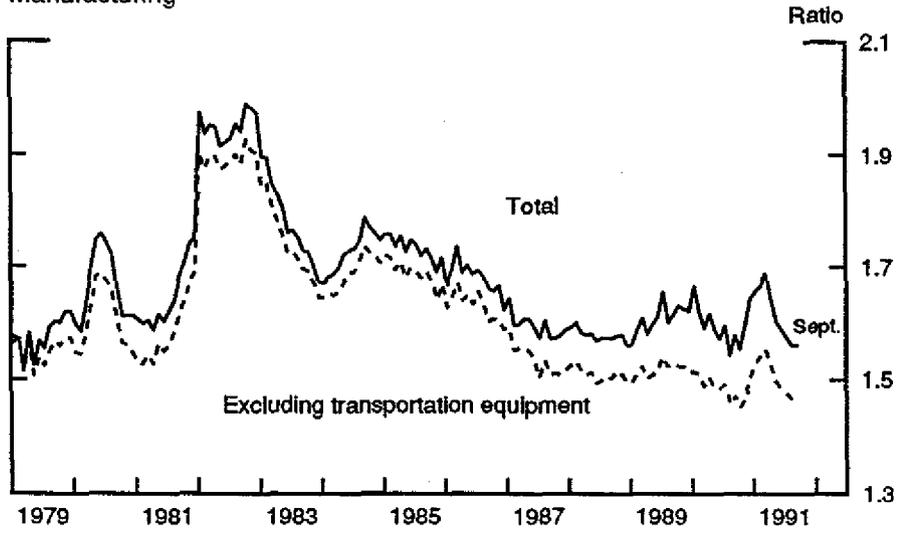
	1991			1991				
	Q1	Q2	Q3	July	Aug.	Sep.		
Range in preceding 12 months: <sup>2</sup> Low    High -----								
Current-cost basis:								
Total	1.49	1.58	1.56	1.51	n.a.	1.49	1.49	n.a.
Total excluding retail auto	1.46	1.55	1.53	1.49	n.a.	1.47	1.47	n.a.
Manufacturing	1.55	1.69	1.66	1.60	1.57	1.57	1.56	1.56
Wholesale	1.29	1.38	1.37	1.32	n.a.	1.31	1.32	n.a.
Retail	1.54	1.65	1.58	1.55	n.a.	1.54	1.55	n.a.
Automotive	1.82	2.18	1.96	1.84	n.a.	1.85	1.90	n.a.
Excluding auto	1.46	1.52	1.48	1.47	n.a.	1.46	1.46	n.a.
Constant-dollar basis:								
Total	1.42	1.51	1.49	1.44	n.a.	1.42	1.43	n.a.
Total excluding retail auto	1.41	1.49	1.48	1.43	n.a.	1.41	1.41	n.a.
Manufacturing	1.44	1.55	1.53	1.47	n.a.	1.45	1.44	n.a.
Wholesale	1.30	1.40	1.39	1.33	n.a.	1.30	1.32	n.a.
Retail	1.50	1.60	1.52	1.50	n.a.	1.50	1.51	n.a.
Automotive	1.63	1.89	1.68	1.65	n.a.	1.66	1.70	n.a.
Excluding auto	1.46	1.53	1.48	1.47	n.a.	1.46	1.46	n.a.

1. Ratio of end of period inventories to average monthly sales for the period.

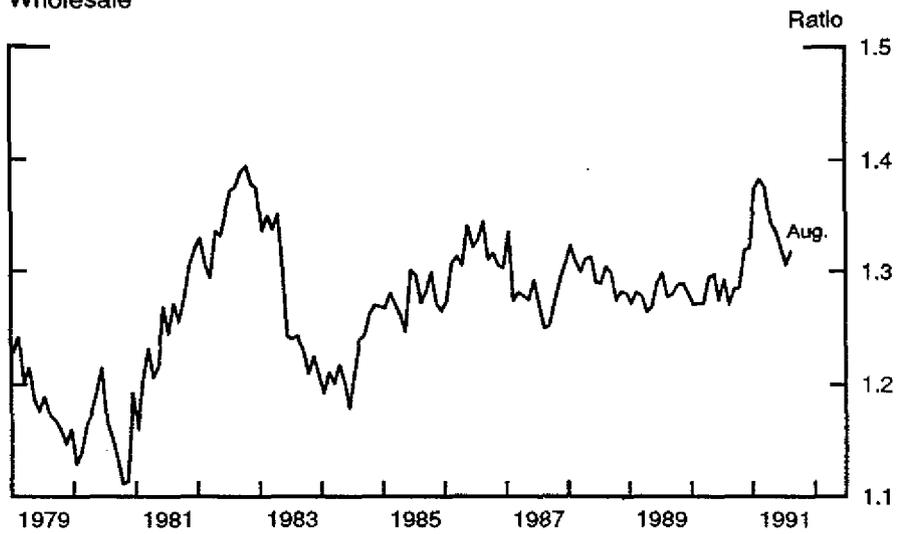
2. Highs and lows are specific to each series and are not necessarily coincidental. Range is for the 12-month period preceding the latest month for which data are available.

### Ratio of Inventories to Sales (Current-cost data)

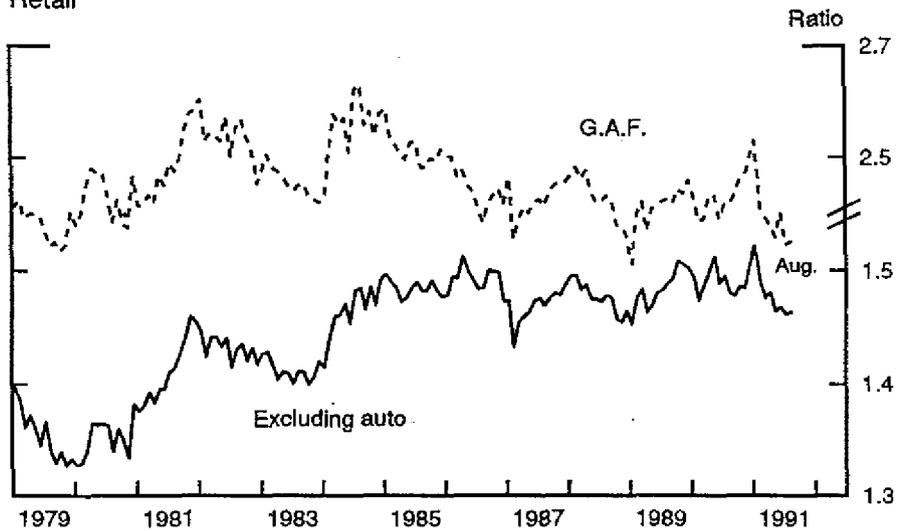
#### Manufacturing



#### Wholesale



#### Retail



THE FINANCIAL ECONOMY

The October 1991 Senior Loan Officer Opinion Survey on Bank Lending Practices

In addition to the questions about changes in bank lending standards and terms, the October 1991 Senior Loan Officer Opinion Survey on Bank Lending Practices asked about various aspects of residential mortgage and mortgage-related securities holdings. The survey also asked about recent patterns in demand for business and household loans.

Nearly all banks indicated that they had kept their credit standards for approving business loan applications unchanged since the August survey.<sup>3</sup> This is the slowest pace of additional tightening of credit standards recorded since the quarterly surveys again started inquiring about standards in May 1990. On the other hand, a considerable number of banks reported that terms on business loans made since August have become more stringent. Terms for small-business borrowers were generally less affected.

Banks reported that business loan demand from firms of all sizes had weakened further over the past few months. Demand for consumer installment loans also weakened recently as did demand for home equity loans (though to a lesser extent).

The number of banks reporting further tightening of standards for approving commercial real estate loans declined markedly. Only a few banks indicated that they had raised lending standards for residential mortgages.

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3. In light of the historical tendency of banks to report that they have tightened standards, the absence of reported tightening of standards in the current survey might be interpreted as indicating that standards have actually been eased. This feature of the survey data is discussed in "Survey Evidence of Tighter Credit Conditions: What Does It Mean?" by Stacey L. Schreft and Raymond E. Owens in the March/April 1991 issue of the Federal Reserve Bank of Richmond's Economic Review.

On balance, banks' holdings of residential mortgages grew at about the same rate over the past six months as they had over the previous six months. Little change was noted in the demand for residential mortgages over the past three months compared with the previous three months. Banks that did report slower residential mortgage growth most often cited weakened underlying demand as the reason for that slower growth, although some cited securitization as the reason. At the same time, about half of domestic banks reported that their holdings of collateralized mortgage obligations (CMOs) had expanded relative to their other assets. Domestic banks most commonly reported that they had substituted CMOs for other mortgage-backed securities and for U.S. Treasury and agency securities, rather than for direct holdings of mortgages.

Banks' willingness to provide consumer credit over the last three months appeared to increase some.

#### Lending Standards and Terms

Nonmerger-related C&I loans: credit standards. Few domestic banks reported that they had raised standards, as the number of banks reporting further tightening of lending standards for approving loans for nonmerger-related purposes again declined. Nor were standards at branches and agencies of foreign banks generally tightened. As in previous surveys, the primary reasons given by domestic banks that did report tightening over the prior three months remained concerns about the economic outlook and about industry-specific problems. Half the banks that gave reasons for tightening business loan standards also noted regulatory pressures.

Price and nonprice terms of credit. In the October survey, the number of banks reporting additional tightening of terms on loans they were making was about the same as in the August survey.

Significant minorities of both domestic and foreign banks again responded that they had increased the costs of credit lines and the spreads of loan rates over base rates. Relatively less tightening of terms was reported to have been applied to loans to small firms.

**Commercial real estate loans: credit standards.** Compared with the August survey, fewer than half as many banks indicated that they had further tightened credit standards for commercial real estate lending. In October, only about one bank in seven reported having tightened lending standards for construction and land development loans. The number of banks that tightened standards for loans for commercial office buildings, for industrial structures, and for other nonfarm nonresidential purposes also declined noticeably since the last survey.

**Household loans: residential mortgage standards.** In contrast to the August survey, which showed that about one-sixth of domestic respondents had tightened credit standards for approving home purchase loan applications from individuals, the survey offered little evidence that the standards had been tightened further since that time; only three of fifty-five responding banks had done so.

**Willingness to make consumer loans.** With regard to banks' willingness to make consumer loans, the balance shifted from no net change in the August survey to a modest increase in willingness to lend in the three months ending in October.

#### **The Demand for Loans**

**Business loans.** A significant minority of domestic banks reported that the demand for business loans had weakened over the past three months compared with the prior three months. This pattern held across both large and small banks and across firms of

all sizes.<sup>4</sup> Banks that noted weaker business loan demand most often cited decreases in their customers' funding needs for inventories and fixed investment. By contrast, foreign banks tended to report somewhat stronger business loan demand, apparently to some extent as a result of shifts from other banks.

**Household loans.** The demand for residential mortgages during the past three months relative to that during the prior three months was generally unchanged, according to domestic banks. At the same time, demand for home equity lines of credit, on balance, was somewhat weaker. And there were clear indications that the demand for consumer installment loans fell, with about one-quarter of banks responding that it had weakened.

#### **Holdings of Mortgages and Mortgage-Backed Securities**

The October survey inquired about various aspects of banks' holdings of residential mortgages and mortgage-related assets. On balance, holdings of residential mortgages were reported to have grown over the past six months at about the same rate they had grown over the prior six months. Banks that did report slower mortgage growth most often cited weakened underlying demand for mortgages as the reason for that slow growth. Few banks reported that a shift in customer demand away from adjustable-rate mortgages and toward fixed-rate mortgages had affected the amount of mortgages they had securitized.

About half of domestic banks indicated that their holdings of collateralized mortgage obligations had increased over the past six months relative to their holdings of other assets. By comparison, foreign banks tended to report weaker CMO growth. Of the domestic banks reporting relatively fast CMO growth, approximately equal

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4. Large banks are those with at least \$10 billion of assets.

numbers of banks indicated that CMOs were substituted for mortgage-backed pass-through securities as for U.S. Treasury and agency securities. There was little indication that CMO growth came at the expense of direct holdings of mortgages. Domestic banks responded most commonly that their CMOs have an average life of less than three years, while foreign banks generally indicated that their CMOs have lives of three to five years.

MONETARY AGGREGATES  
(based on seasonally adjusted data unless otherwise noted)

	1990 <sup>1</sup>	1991 Q2	1991 Q3	1991 Aug	1991 Sep	1991 Oct pe	Growth Q4 90- Oct 91pe
-----Percent change at annual rates-----							
1. M1	4.2	7.3	6.9	9.4	5.5	12	7½
2. M2	3.8	4.8	-0.3	0.3	0.0	3	2½
3. M3	1.7	1.9	-2.4	-0.8	-2.2	1	1

	-----Percent change at annual rates-----						Levels bil. \$ Sep 91
<b>Selected components</b>							
4. M1-A	4.6	3.9	3.2	6.2	2.8	11	549.6
5. Currency	11.0	3.9	5.8	8.8	7.4	9	262.4
6. Demand deposits	-0.6	4.5	1.3	4.3	-2.1	14	279.4
7. Other checkable deposits	3.5	13.5	13.4	14.9	10.6	14	320.8
8. M2 minus M1 <sup>2</sup>	3.7	4.0	-2.7	-2.8	-2.0	0	2522.1
9. Overnight RPs and Eurodollars, NSA	3.8	-6.2	-9.2	54.1	-17.2	51	68.6
10. General purpose and broker/dealer money market mutual fund shares	11.0	6.6	-11.7	-22.0	-12.2	-4	349.2
11. Commercial banks	9.9	7.3	6.9	9.2	4.6	5	1240.6
12. Savings deposits plus MMDAs	7.5	16.7	12.8	10.4	9.3	15	635.9
13. Small time deposits	12.4	-1.8	0.8	7.8	0.0	-7	604.8
14. Thrift institutions	-5.5	-1.5	-9.8	-15.5	-8.8	-8	864.3
15. Savings deposits plus MMDAs	-2.2	18.4	9.8	2.6	5.3	9	366.8
16. Small time deposits	-7.3	-13.7	-22.8	-28.3	-19.0	-21	497.5
17. M3 minus M2 <sup>3</sup>	-6.4	-10.5	-12.0	-5.2	-11.6	-8	746.9
18. Large time deposits	-9.5	-7.6	-15.5	-16.1	-21.5	-26	475.8
19. At commercial banks, net <sup>4</sup>	-3.5	0.3	-8.8	-8.5	-16.0	-21	385.4
20. At thrift institutions	-23.9	-34.8	-41.6	-47.9	-44.8	-44	90.3
21. Institution-only money market mutual fund shares	20.2	23.0	0.8	25.4	37.3	49	149.3
22. Term RPs, NSA	-12.5	-27.7	-6.0	1.5	-16.8	-31	77.5
23. Term Eurodollars, NSA	-12.1	-32.3	-9.1	7.4	-38.5	-49	63.3

	-----Average monthly change in billions of dollars-----						
<b>MEMORANDA:<sup>5</sup></b>							
24. Managed liabilities at commercial banks (25+26)	0.0	-3.3	-2.5	-5.6	2.3	3	699.9
25. Large time deposits, gross	-2.6	0.3	-2.8	-0.5	-3.4	-10	443.6
26. Nondeposit funds	2.6	-3.6	0.3	-5.1	5.7	13	256.3
27. Net due to related foreign institutions	2.2	-3.7	0.2	-2.6	3.2	5	19.8
28. Other <sup>6</sup>	0.3	0.0	0.1	-2.6	2.7	8	236.6
29. U.S. government deposits at commercial banks <sup>7</sup>	0.3	-3.5	-0.4	3.3	-1.9	9	21.9

1. Amounts shown are from fourth quarter to fourth quarter.  
 2. Nontransactions M2 is seasonally adjusted as a whole.  
 3. The non-M2 component of M3 is seasonally adjusted as a whole.  
 4. Net of large denomination time deposits held by money market mutual funds and thrift institutions.  
 5. Dollar amounts shown under memoranda are calculated on an end-month-of-quarter basis.  
 6. Consists of borrowing from other than commercial banks in the form of federal funds purchased, securities sold under agreements to repurchase, and other liabilities for borrowed money (including borrowing from the Federal Reserve and unaffiliated foreign banks, loan RPs and other minor items). Data are partially estimated.  
 7. Consists of Treasury demand deposits and note balances at commercial banks.  
 pe - preliminary estimate

COMMERCIAL BANK AND SHORT- AND INTERMEDIATE-TERM BUSINESS CREDIT<sup>1</sup>  
 (Percentage changes at annual rates, based on seasonally adjusted data)

	Dec89 to Dec90	1991 Q2	1991 Q3	1991 Aug	1991 Sep	1991 Oct p	Levels bil.\$ 1991 Sep
-----Commercial Bank Credit-----							
1. Total loans and securities at banks	5.3	1.7	0.8	-0.7	3.2	6	2768.9
2. Securities	8.6	11.9	14.7	9.0	18.5	27	692.9
3. U.S. government securities	13.9	19.8	21.7	17.3	22.2	33	522.1
4. Other securities	-3.1	-9.3	-5.3	-14.7	6.4	8	170.8
5. Total loans	4.3	-1.5	-3.6	-4.0	-1.8	-1	2076.0
6. Business loans	1.9	-6.7	-4.2	-11.9	6.4	2	623.8
7. Real estate loans	9.5	5.3	-2.8	-4.3	-0.7	1	853.4
8. Consumer loans	1.2	-3.2	-7.2	-2.3	-11.7	-9	365.3
9. Security loans	4.4	-5.2	58.5	28.8	36.6	-14	43.9
10. Other loans	-1.8	-1.2	-10.5	13.2	-22.4	1	189.6
-----Short and Intermediate-Term Business Credit-----							
11. Business loans net of bankers acceptances	1.9	-6.7	-4.4	-12.8	6.6	2	617.5
12. Loans at foreign branches <sup>2</sup>	19.3	-35.7	-3.4	-35.6	21.0	26	23.3
Sum of lines 11 & 12	2.5	-7.9	-4.4	-13.6	7.2	3	640.8
14. Commercial paper issued by nonfinancial firms	12.2	-10.2	-26.2	-32.1	-55.8	-17	135.3
15. Sum of lines 13 & 14	4.2	-8.4	-8.3	-17.0	-4.3	0	776.1
16. Bankers acceptances: U.S. trade related <sup>3 4</sup>	-9.6	-22.0	-20.5	-29.4	-8.6	n.a.	27.7
17. Finance company loans to business <sup>3</sup>	13.1	4.6	n.a.	13.6	n.a.	n.a.	302.6 <sup>5</sup>
18. Total short- and intermediate-term business credit (sum of lines 15, 16, & 17)	5.8	-5.3	n.a.	-9.1	n.a.	n.a.	1109.4 <sup>5</sup>

1. Average of Wednesdays.

2. Loans at foreign branches are loans made to U.S. firms by foreign branches of domestically chartered banks.

3. Based on average of data for current and preceding ends of month.

4. Consists of acceptances that finance U.S. imports, U.S. exports, and domestic shipment and storage of goods.

5. August 1991 data.

p--preliminary

n.a.--not available

1  
SELECTED FINANCIAL MARKET QUOTATIONS  
(percent)

	1989	1991		Change from:	
	March highs	FOMC Oct 1	Oct 31	March highs	FOMC Oct 1
<b>Short-term rates</b>					
Federal funds <sup>2</sup>	9.85	5.32	5.17	-4.68	-0.15
Treasury bills <sup>3</sup>					
3-month	9.09	5.10	4.82	-4.27	-0.28
6-month	9.11	5.13	4.83	-4.28	-0.30
1-year	9.05	5.12	4.83	-4.22	-0.29
Commercial paper					
1-month	10.05	5.45	5.12	-4.93	-0.33
3-month	10.15	5.46	5.21	-4.94	-0.25
Large negotiable CDs <sup>3</sup>					
1-month	10.07	5.34	5.08	-4.99	-0.26
3-month	10.32	5.47	5.17	-5.15	-0.30
6-month	10.08	5.47	5.16	-4.92	-0.31
Eurodollar deposits <sup>4</sup>					
1-month	10.19	5.31	5.00	-5.19	-0.31
3-month	10.50	5.50	5.13	-5.37	-0.37
Bank prime rate	11.50	8.00	8.00	-3.50	0.00
<b>Intermediate and long-term rates</b>					
U.S. Treasury (constant maturity)					
3-year	9.88	6.26	6.06	-3.82	-0.20
10-year	9.53	7.45	7.47	-2.06	0.02
30-year	9.31	7.81	7.91	-1.40	0.10
Municipal revenue <sup>5</sup> (Bond Buyer)	7.95	6.91	6.86	-1.09	-0.05
Corporate--A utility recently offered	10.47	8.93	8.99	-1.48	0.06
Home mortgage rates <sup>6</sup>					
S&L fixed-rate	11.22	8.92	8.91	-2.31	-0.01
S&L ARM, 1-yr.	9.31	6.83	6.66	-2.65	-0.17

	Record highs	Date	1989	1991		Percent change from:		
			Lows Jan 3	FOMC Oct 1	Oct 31	Record highs	1989 lows	FOMC Oct 1
<b>Stock prices</b>								
Dow-Jones Industrial	3077.15	10/18/91	2144.64	3018.34	3069.10	-0.26	43.11	1.68
NYSE Composite	217.17	8/28/91	154.00	214.01	216.54	-0.29	40.61	1.18
AMEX Composite	397.03	10/10/89	305.24	374.95	387.31	-2.45	26.89	3.30
NASDAQ (OTC)	542.98	10/31/91	378.56	528.51	542.98	0.00	43.43	2.74
Wilshire	3807.08	10/31/91	2718.59	3755.69	3807.08	0.00	40.04	1.37

1/ One-day quotes except as noted.

2/ Average for two-week reserve maintenance period closest to date shown. Last observation is average for the maintenance period ending October 30, 1991.

3/ Secondary market.

4/ Bid rates for Eurodollar deposits at 11 a.m. London time.

5/ Based on one-day Thursday quotes and futures market index changes.

6/ Quotes for week ending Friday closest to date shown.